



MEMORANDUM

July 8, 2004

TO: Board of Directors
Eric Kuhn

FROM: Dan Birch

RE: Elkhead Update

INTRODUCTION AND BACKGROUND

Matters continue to progress well with Elkhead. Our suite of Federal and State agreements and our agreement with Craig and the Yampa Participants are essentially in final form. We expect to schedule a meeting of the Water Supply Project Committee in early August to review and take action on the final version of these agreements. Pursuant to the Board delegation to the Committee, we expect to bring these for ratification by the Board in October.

Also in your packet is a confidential memorandum with information pertaining to property acquisition of both private properties and the proposed State Land Board land exchange. We reviewed these acquisitions with the Water Supply Project Committee on June 30 in Craig. **We are asking for Board direction regarding these acquisitions. We also recommend that the Board delegate approval of any needed acquisition agreements to the Water Supply Project Committee.**

The Yampa Programmatic Biological Opinion and the Yampa Water Management Plan are nearing completion. Attached is a draft Cooperative Agreement, to which the River District would be a party, to implement the PBO and Plan. **We are requesting Board action on the Cooperative Agreement.**

RESERVOIR OPERATIONS AGREEMENT

In April, the Water Supply Project Committee took action to approve the Reservoir Operations Agreement (now known as the Amended and Restated Agreement) with the Yampa Participants

and the City of Craig. Since then there have been a number of minor revisions stemming from the review by the rest of the Participants and Craig. As of this writing there is one minor revision still under discussion and we expect this will be resolved shortly.

The City of Craig took action to approve the agreement on June 21. We expect the Yampa Participants will review revisions made over the course of the last couple months and offer any additional revisions (hopefully none) by the end of the month. Craig will take final action on the agreement sometime in August.

FEDERAL AND STATE AGREEMENTS

A couple weeks ago we were informed that the Bureau of Reclamation was requesting a full-day meeting to go over final revisions to the suite of Federal and State agreements. This surprised us since we thought we were down to the “small strokes”. Evidently the Solicitor had not thoroughly reviewed the agreements and upon a more detailed review had a number of comments. We do not know the exact nature of the comments but have been told there are no deal-breakers. Our meeting with the Bureau and Solicitor is scheduled for July 29.

WETLANDS PERMIT

We received comments from EPA and the Division of Wildlife. DOW’s comments are limited to wetland mitigation and can be addressed without difficulty. EPA has raised the question of the need for an Environmental Impact Statement. (The Corps has maintained that an Environmental Assessment is adequate.) EPA has also stated that an alternatives analysis is necessary. We have begun work on the requested alternatives analysis and are currently discussing how best to respond to EPA’s other comments.

YAMPA PLAN AND PBO

Gerry Roehm reports the PBO and the Plan will be finalized by mid-August. The significance of completion of the Plan and PBO to Elkhead is that the Plan serves as the basis for the purpose and need for the project in the context of wetlands permitting. We have been concerned that delays in completion of the Plan and PBO may delay our wetlands permitting. We reviewed this with the Corps of Engineers and they did not express any concerns.

The River District will be a signatory to the Cooperative Agreement (CA) to implement the Plan and PBO. **Attached is the draft CA for Board review and action.**

FINAL ENGINEERING

URS is progressing well on final design. They report that in spite of dramatic cost increases in steel and fuel, they expect construction costs will be within budget. Ray and URS have also explored several creative changes to the preliminary design that will result in reduced costs without compromising quality or performance.

SCHEDULE

Following are the major milestones we are expecting. These have changed somewhat in the last few weeks.

1. Agreements
 - a. Reservoir Operations:
 - i. In final form and approved by WSP Committee, August, 2004
 - ii. Final approval by Craig and Participants, August, 2004
 - iii. Ratified by RD Board and executed, October, 2004
 - b. Federal and State Agreements:
 - i. In final form and approved by WSP Committee, August, 2004
 - ii. Ratified by RD Board, October, 2004
 - iii. Approval by Colorado and United States and execution, November, 2004
 - c. Temporary Water Supply Agreements
 - i. Upper Yampa WCD: Executed August, 2004
 - ii. Tri-State G&T: Executed Fall, 2004
 - d. Colorado Parks
 - i. Agreement to design and construct park improvements: Executed August, 2004
 - ii. Long-term operating agreement: Executed August, 2004
2. Property Acquisition
 - a. Private Property: Agreements to purchase executed August, 2004. Close, November, 2004
 - b. State Land Board exchange: Close, November, 2004
3. Permits
 - a. Section 404 Dredge and Fill (wetlands): Permit decision by September 1, 2004
4. Engineering
 - a. Final Engineering complete: October, 2004.
 - b. SEO Review: November, 2004
5. Bidding and Construction
 - a. Finalize Bid Packages: Early December, 2004
 - b. Advertise bids: December – Early January, 2005
 - c. Bids Due: Early January, 2005
 - d. Award Contract: Mid January, 2005
 - e. Notice to Proceed: Mid February, 2005
 - f. Construction: 2005 – 2006
6. Reservoir Fills and Opens to Public: Spring, 2007.

Attachment: Draft Cooperative Agreement